



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2001 Assembly Bill 584	Assembly Substitute Amendment 1, as Amended by Assembly Amendment 3
Memo published: November 8, 2001	Contact: John Stolzenberg, Staff Scientist (266-2988)

2001 Assembly Bill 584 relates to public utility shared revenue payments. Assembly Substitute Amendment 1 to 2001 Assembly Bill 584, as amended by Assembly Amendment 3 (the “amended substitute amendment”) does the following:

Municipal 101% Shared Revenue Payments

Current law specifies that in 2002 and 2003, each municipality shall receive a shared revenue payment that is equal to the amount of the payment it received in the previous year, multiplied by 101%. While the effect of this provision is open to interpretation, one reading, that appears reasonable, is that it provides the basis for computing a municipality’s total shared revenue, including public utility distributions, in 2002 and 2003 in lieu of the statutory formulas.

Since the amended substitute amendment does not amend this requirement, under this interpretation of the requirement, all of the changes in the amended substitute amendment to municipalities’ shared revenue payments, including public utility distributions, that are applicable in 2002 or 2003 would be superceded by the 101% shared revenue payment requirement in those years.

Basic Public Utility Distribution

Under current law, one component of the state revenue sharing with municipalities and counties is the public utility distribution. Under this distribution, municipalities and counties, in which power plants, substations, and general structures used, or under construction, by electric public utilities, qualified wholesale electric companies, electric cooperatives and municipal electric companies are located, receive an annual distribution under a statutory formula.

In general terms, the formula for computing the basic amount of this distribution is a specified mill rate times the first \$125 million of the net book value of the power plant, substation, or general structure located within a municipality or county. Current law sets forth additional considerations used

in the computation of these distributions, including a per capita cap on the total amount of the basic public utility distribution that a municipality or county may receive. This per capita cap is \$300 times the municipality's population for municipalities and \$100 times the county's population for counties.

The amended substitute amendment amends the basic public utility distribution in the following two ways:

1. It raises the maximum value of the power plant, substation, and general structure property used in the formula used to compute this distribution.
2. It raises the per capita cap on the total amount of the basic distribution that a municipality or county may receive.

These changes in the basic public utility distribution under the amended substitute amendment are summarized in the following tables.

***Net Book Value of Existing and Under Construction
Power Plants, Substations and General Structures
Under the Basic Public Utility Distribution
Under ASA 1 to AB 584, as Amended by AA 3***

<i>Year</i>	<i>Host Local Government</i>	
	<i>Municipality</i>	<i>County</i>
2002	Not applicable; superceded by Act 16's 101% shared revenue payment requirement.	First \$125 million of value
2003	Not applicable; superceded by Act 16's 101% shared revenue payment requirement.	First \$140 million of value
2004	First \$160 million of value	First \$160 million of value
2005	First \$185 million of value	First \$185 million of value
2006 and subsequent years	First \$250 million of value	First \$250 million of value

***Per Capita Cap on Basic Public Utility Distributions
Under ASA 1 to AB 584, as Amended by AA 3***

<i>Year</i>	<i>Host Local Government</i>	
	<i>Municipality</i>	<i>County</i>
2002	Not applicable; superceded by Act 16's 101% shared revenue payment requirement.	\$100 times county's population
2003	Not applicable; superceded by Act 16's 101% shared revenue payment requirement.	\$225 times county's population

<i>Year</i>	<i>Host Local Government</i>	
	<i>Municipality</i>	<i>County</i>
2004	\$650 times municipality's population	\$325 times county's population
2005	\$950 times municipality's population	\$475 times county's population
2006 and subsequent years	\$1,200 times municipality's population	\$600 times county's population

Additional Distribution for Certain New Power Plants

The amended substitute amendment creates a new public utility distribution that applies when a new, operating power plant, 50 megawatts or larger, was built after January 1, 2002 on, or adjacent to, the site of an existing or decommissioned power plant or on brownfields. This distribution starts in 2003. The amount of this distribution is determined by multiplying a specified mill rate times the net book value of the power plant. The mill rate varies based upon the type of fuel used to power the new power plant and whether the government receiving the distribution is a municipality or a county. These mill rates are identified in the following table.

***Mill Rates for New Public Utility Distribution for New Power Plants
50 Megawatts or Larger and on Existing or
Decommissioned Power Plant Site or on Brownfields
Under ASA 1 to AB 584, as amended by AA 3***

<i>Host Local Government</i>	<i>Fuel</i>	
	<i>Coal</i>	<i>Any Fuel Other Than Coal or Nuclear Fuel</i>
Municipality	2 mills	1 mill
County	1 mill	1 mill

Additional Distribution for Decommissioned Power Plants

Currently, property of an electric public utility, qualified wholesale electric company or a municipal electric company that is taxed under the utility gross receipts tax or of an electric cooperative that is used by the cooperative is exempt from local property taxes. When a power plant is decommissioned and, thus, no longer used to generate electricity, the property loses this exemption and becomes subject to local property taxes on the succeeding January 1. In addition, when a power plant less than 200 megawatts in capacity is decommissioned, the public utility distribution is no longer paid on it.

If a 200 megawatt or larger power plant is decommissioned, then the current \$75,000 minimum guaranteed payment to a municipality under the public utility distribution for such a plant is continued under specified conditions. These conditions include that this minimum guaranteed payment is decreased by \$7,500 annually and ceases in the year following the first year in which the property becomes taxable. Also, this payment may not exceed the distribution cap applicable to the municipality.

The amended substitute amendment replaces the current public utility distribution for large decommissioned power plants with a new phase-out of distributions for decommissioned power plants previously used to generate power by an electric utility or an electric cooperative. These distributions start in the first year that the property is subject to local property taxes and continue for the next four years. The payment to the host municipality and county in that year is 100% of the last public utility distribution to the municipality or county, respectively, that included payment for the plant less the property taxes paid on the decommissioned plant's property to the municipal or county, respectively, during that year. In subsequent years, the amount of the last public utility distribution in this formula is reduced by 20% each year until the distribution is phased out after the fifth year.

Cap on Total Public Utility Distributions

Effective January 1, 2003, the amended substitute amendment limits any increase in overall public utility distribution payments in any year compared with a base amount equal to the total public utility distributions in 2001 to a prescribed amount. This amount is the increase in revenues from electric utility and electric cooperative gross receipts taxes between the revenues in the year before the year of the statement of estimated shared revenue payments, that the Department of Revenue distributes to municipalities and counties annually by September 15; and the revenues in the year 2001. If the total public utility distributions in any year exceeds this limit, then the amended substitute amendment specifies that these payments must be allocated to each municipality and county in proportion to the calculated total public utility distributions.

Total Amounts of Shared Revenue Payments

Current law, as amended by 2001 Wisconsin Act 16, establishes the total amount of payments for all types of state revenue sharing to all municipalities and to all counties. In 2003 and subsequent years, this amount is \$776,783,700 for payments to municipalities and \$172,378,300 for payments to counties.

The amended substitute amendment makes the following two changes to these total amounts of payments:

1. It removes the public utility distributions from being subject to, that is, counting towards, these total amounts.
2. It reduces the total amount for municipalities by the amount that was distributed to municipalities under the public utility distribution in 2001. Similarly, it reduces the total amount for counties by the amount that was distributed to counties under the public utility distribution in 2001.

Appropriation Account

The amended substitute amendment moves the appropriation for public utility distributions from the shared revenue account in the General Fund to a new account in the General Fund, the "Public Utility Distribution Account" and appropriates to the new account a sum sufficient to make all of the public utility distribution payments, including those affected by the amended substitute amendment. This change takes effect starting with the 2003 distributions.

Electric Utility Rate Recovery

The amended substitute amendment specifies that an electric public utility may recover in its rates approved by the Public Service Commission any costs that were prudently incurred as a result of any negotiated payment that the utility pays to a municipality in which the utility is located related to the generation, transmission or distribution of electricity.

The Assembly Committee on Energy and Utilities recommended adoption of Assembly Amendment 1 to 2001 Assembly Bill 584 and passage of Assembly Bill 584, as amended, on October 25, 2001 on identical votes of Ayes, 9, Noes, 0.

On November 1, 2001, the Assembly adopted on separate voice votes Assembly Amendment 3 to Assembly Substitute Amendment 1 to Assembly Bill 584 and Assembly Substitute Amendment 1, as amended. On November 6, 2001, the Assembly passed Assembly Bill 584, as amended, on a vote of Ayes, 96, Noes, 2.

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